

June 22, 2023

For Immediate Release

Real Estate Investment Trust Securities Issuer
Star Asia Investment Corporation
Representative: Atsushi Kato, Executive Director
(Code: 3468)

Asset Management Company
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Notice Concerning Acquisition and Lending of Assets (Preferred Equity Securities)

Star Asia Investment Management Co., Ltd. (the “Asset Manager”) to which Star Asia Investment Corporation (“SAR”) entrusts the management of its assets today announces of its decision to acquire preferred equity securities (the “Preferred Equity Securities”) issued by GSAJP Project 1 Tokutei Mokuteki Kaisha (“GSA TMK”) which holds trust beneficial interests in which “HAKUSAN HOUSE” (the “Property”) is the asset in trust (hereinafter referred to as the “Acquisition”), as described below.

Furthermore, SAR would also like to announce that, at the same time as the decision for the Acquisition, it has decided to enter into an “Agreement on Lending Transaction of Preferred Equity Securities” (the “Lending Transaction Agreement”) with Star Asia Tatemono Godo Kaisha (“SATGK”) with the aim to stabilize SAR’s earnings.

GSA TMK, the Issuer of the Preferred Equity Securities and SATGK, the counterparty to the Lending Transaction Agreement, do not fall under interested persons, etc. as defined in Article 201 Paragraph 1 of the Act on Investment Trusts and Investment Corporations and Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations; however, they both fall under interested parties as defined under the Asset Manager’s “Rules of Transactions with Interested Parties” which are self-imposed rules stipulating countermeasures for conflict of interest related to SAR’s asset management. Upon making the decisions for the Acquisition and for the Lending Transaction Agreement, the Asset Manager has taken procedures for deliberation and approval by resolution in accordance with laws and regulations and such rules.

1. Overview of the Acquisition

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|--|---|---|
| (1) Type of acquired asset | : | Preferred equity securities issued by GSA TMK which holds trust beneficial interests of a trust where real estate is the entrusted asset (Note 1) |
| (2) Name of acquired asset | : | GSA JP Project 1 Tokutei Mokuteki Kaisha Preferred Equity Securities |
| (3) Real estate in trust | : | HAKUSAN HOUSE |
| (4) Acquired number of units | : | 13,328,342 units |
| (5) Acquisition value | : | 1,562,569,919 yen
49.9% of the total amount of the Preferred Equity Securities (Note 2) |
| (6) Purchaser of the Preferred Equity Securities | : | GSA JP Project 1 Godo Kaisha (Note 3) |
| (7) Signing date of the Preferred Equity Securities assignment agreement | : | June 23, 2023 |

- (8) Date of acquisition of the Preferred Equity Securities : June 23, 2023
- (9) Funds for acquisition of the Preferred Equity Securities : Deposit money received (92,742,300 yen) for the sale and assignment of “Urban Park Gokokuji” as announced in the press release entitled “Notice Concerning the Transfer of Trust Beneficial Interests of Domestic Real Estate (Urban Park Gokokuji)” dated March 16, 2023 and own capital.

(Note 1) The Preferred Equity Securities fall under “real estate related assets”.

(Note 2) The figure is rounded to the first decimal point. The total “amount of preferred equity” means the total amount of preferred equity securities as of June 22, 2023. For details, please refer to “3. Details of the Acquisition/ (1) General Description of the Preferred Equity Securities” stated below.

(Note 3) For details, please refer to “3. Details of the Acquisition- (3) General Description of the Purchaser of the Preferred Equity Securities” stated below.

2. Reason for the Acquisition and signing of the Lending Transaction Agreement

(1) Reason for the Acquisition

The property is a next-generation type student residence which is new to Japan, developed under the collaboration of Star Asia Group with GSA Group which is engaged in development of student residences worldwide.

The property is located in a highly convenient area where there are multiple universities nearby, and is featured by facilities (such as common-use open space, common-use kitchen, etc.) as well as operations (holding events for residents etc.) which promote interaction among the international students entering the residence and Japanese students.

Recently, given the easing of boarder measures related to COVID-19 and lifting of restrictions on entry into Japan, use by international exchange students who can also enjoy the merits of the prolonged weak yen is increasing. This trend is expected to continue going forward, and it is anticipated that the profitability of the property will increase.

The Asset Manager determined that the investment amount is adequate and decided on the Acquisition, based on the following three points: (1) the value of the Property as calculated from the investment amount (1,562,569,919 yen) of the Preferred Equity Securities is relatively cheap when compared to the appraisal value, (2) until such time that the profitability of the property stabilizes, SAR can earn the lending fee as a profitability stabilization measure of SAR from the Sponsor Group (it is assumed that earnings from the Preferred Securities after the stabilization measures are completed will exceed the lease fee)., and (3) That the investment in the Preferred Securities is expected to contribute to internal growth if the property is expected to generate stable income as assumed by the appraiser. The Acquisition is made by utilizing the right of first refusal held by SAR. For details of the right of first refusal, please refer to the press release announced on March 16, 2023 entitled “Notice Concerning signing of Right of First Refusal Agreement for Acquisition of Assets (Preferred Equity Securities) and Receipt of a Letter of Intent regarding Lending of the Preferred Equity Securities (HAKUSAN HOUSE)”. Furthermore, with respect to the property, SAR has obtained a first right of refusal for acquiring the property in 2018, and such right of first refusal agreement still remains in full force and effect.

The Acquisition, together with the assignment of the property planned to be assigned as stated in the press release dated March 16, 2023 entitled “Notice Concerning the Transfer of Trust Beneficial Interests of Domestic Real Estate (Urban Park Gokokuji)”, is positioned as the 9th asset replacement.

Furthermore, the ratio of “real estate etc.,” to the total amount of assets under management etc. after the Acquisition is expected to be 70% or more, and therefore does not breach the securities listing

regulations of the Tokyo Stock Exchange (Note).

(Note) This has been determined based on the amount calculated by adding the amount of total assets on the balance sheet statement for the period ended January 31, 2023 and the acquisition amount of the mezzanine loan receivables acquired on February 1, 2023 and the acquisition amount of the Acquisition.

(2) Reason for signing the Lending Transaction Agreement

As stated above, entry by international exchange students into the Property is increasing, however, the status of operations is not yet necessarily stable. However, Star Asia Group expects that profitability of the Property will improve and stabilize in the future, and when the status of operations of the Property stabilizes, the earnings from the Preferred Equity Securities are expected to exceed the lending fee described below.

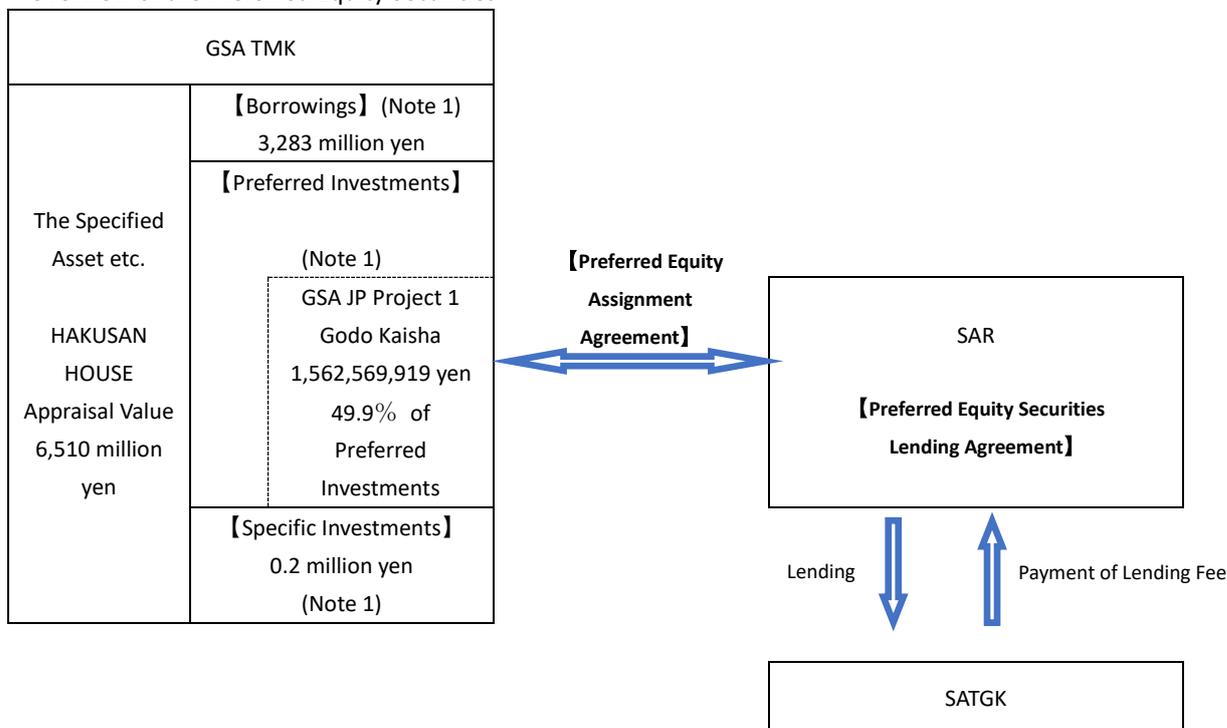
Based on the anticipations described above, it has been decided for SAR and SATGK which is a member of Star Asia Group to sign the “Agreement on Lending Transaction of Preferred Equity Securities” which sets forth the agreement that the Preferred Equity Securities is to be lent to SATGK and a lending fee shall be paid for an amount equal to 4% per annum on the acquisition price of the Preferred Equity Securities. From the Asset Manager’s perspective, it has been determined that by entering into the lending transaction, it is possible to exclude profitability fluctuation risk of SAR for 2 years from the Acquisition.

3. Details of the Acquisition

(1) Structure of the Acquisition and the Lending Transaction Agreement

Name of Issuer: GSA JP Project 1 Tokutei Mokuteki Kaisha

Overview of the Preferred Equity Securities



(Note 1) Names are not disclosed, as consents for disclosures have not been obtained from the lenders, preferred equity investors, and specified investors.

(Note 2) Along with the acquisition of the Preferred Equity Securities by SAR, with respect to such Preferred Equity Securities to be held, it is planned that a preferred equity investors’ agreement will be signed which provides

for certain restrictions on assignment of the Preferred Equity Securities.

- Calculation period : The 12-month period of each year from January 1 to December 31 (Note 3)
- Distribution of profits and losses : The TMK shall distribute to each equity investor profits arising during each calculation period. (Note 4)

(Note 3) Regardless of the calculation period, SAR shall receive payment of the lending fee on each lending fee payment date described under “4. Overview of the Lending Transaction Agreement - (1) General Description of the Lending Transaction Agreement”.

(Note 4) The Borrower shall receive distribution of profit and losses as described under “4. Overview of the Lending Transaction Agreement - (1) General Description of the Lending Transaction Agreement”.

(2) General Description of the Issuer of the Preferred Equity Securities

Name	GSA JP Project 1 Tokutei Mokuteki Kaisha
Location	5-1-4 Toranomom, Minato-ku, Tokyo
Representative	Director Takaaki Fukunaga
Main business	<ol style="list-style-type: none"> The purchase of specified assets in accordance with asset securitization plans based on the Act on Securitization of Assets, and business operations related to management and disposal of such specified assets. All other business matters incidental to or related to the securitization of the specified assets stated above.
Capital	200,000 yen
Date of establishment	March 6, 2014
Net asset	Not disclosed, as consent for disclosure has not been obtained from the TMK.
Total asset	
Major shareholders and shareholding ratios	
Relationship with SAR and the Asset Manager	
Capital relationship	There is no capital relationship to report.
Personnel relationship	There is no personnel relationship to report.
Business relationship	There is no business relationship to report.
Related party or not	The issuer of the Preferred Equity Securities does not fall under interested persons, etc. of SAR or the Asset Manager; however, Star Asia Asset Advisors Co. Ltd. who is the asset manager of the Issuer of the Preferred Equity Securities falls under interested persons, etc. of SAR and the Asset Manager. Therefore, the Issuer of the Preferred Equity Securities falls under interested parties as defined under the Asset Manager’s “Rules of Transactions with Interested Parties” which are self-imposed rules stipulating countermeasures for conflict of interest related to SAR’s asset management. Upon making the decision for the Acquisition, the Asset Manager has taken procedures for deliberation and approval by resolution in accordance with laws and regulations and the relevant rules.

(3) General Description of the Purchaser of the Preferred Equity Securities

Name	GSA JP Project 1 Godo Kaisha
Location	5-1-4 Toranomom, Minato-ku, Tokyo
Representative	Representative Partner GSA Star Asia Co. Ltd.

	Executive Manager Hideaki Iwata
Main Business	<ol style="list-style-type: none"> The purchase, development, holding, and disposal of real estate properties. Leasing and management of real estate properties. The purchase, holding, and disposal of shares, equity interests, and preferred equity investments of companies established for the purpose of securitization of real estate properties. All other business matters incidental to or related to each of the above listed items.
Capital	100,000 yen
Established	November 18, 2015
Net asset	Not disclosed, as consent for disclosure has not been obtained from the Purchaser.
Total asset	
Major shareholders and shareholding ratios	
Relationship with SAR and the Asset Manager	
Capital relationship	There is no capital relationship to report.
Personnel relationship	There is no personnel relationship to report.
Business relationship	There is no business relationship to report.
Related party or not.	The Purchaser does not fall under a related party of SAR or the Asset Manager.

4. Overview of the Lending Transaction Agreement

(1) General Description of the Lending Transaction Agreement

Borrower	Star Asia Tatemono Godo Kaisha
Main contents	<p>SAR shall lend to the Borrower all of the Preferred Equity Securities which it acquires during the lending period (as defined below), and receive each month a lending fee for the lending transaction in amounts calculated based on the formula described below.</p> <p>During the lending period, dividends paid on the Preferred Equity Securities shall be received by the Borrower.</p>
Lending Fee	<p>The monthly lending fee shall be calculated based on the formula below. Any fractions of one yen which arise as a result of the calculation shall be rounded up to the nearest yen.</p> <p>Lending fee = acquisition price of the Preferred Equity Securities × lending fee rate (4%) × actual number of days (one end putting) / 365.</p>
Lending period	2 years from June 23, 2023
Signing date	June 23, 2023
Lending fee payment date	Lending fees are to be calculated as of the end of June and December each year, and is to be paid at the end of the immediately following month. The first payment date shall be the last day of July 2023.
Others	<ol style="list-style-type: none"> In the case where SAR additionally acquires the Preferred Equity Securities within the subject period, SAR shall lend the number of such additional acquisitions of Preferred Equity Securities to the Borrower in the same manner. With respect to the Lending Transaction Agreement, it is planned for a funding guarantee agreement to be signed which sets forth that if it becomes difficult or impossible for the Borrower to pay the lending fees as they come due for payment, Star Asia Finance LLC who is a member of the Star Asia Group shall provide funds to the Borrower.

(2) General Description of the Counterparty of the Lending Transaction Agreement

Name	Star Asia Tatemono Godo Kaisha
Location	2-5-1 Atago, Minato-ku, Tokyo

	Atago Green Hills Mori Tower 18F
Representative	Representative Partner General Incorporated Association Star Asia Tatemono Executive Manager Takaaki Fukunaga
Main business	<ol style="list-style-type: none"> 1. The purchase, holding, and disposal of trust beneficial interests in real estate. 2. The purchase, holding, and disposal of loan receivables. 3. The purchase, holding, and disposal of bonds, tokumei kumiai (silent partnership) equity interests and other securities. 4. The sale and purchase, leasing, supervision, acquisition, holding, disposal, and use of real estate properties. 5. All other business matters incidental to or related to each of the above listed items.
Capital	300,000 yen
Date of Establishment	January 11, 2023
Net asset	Not disclosed, as consent for disclosure has not been obtained from the counterparty to the Lending Transaction Agreement.
Total asset	
Major shareholders and shareholding ratios	
Relationship with SAR and the Asset Manager	
Capital relationship	There is no capital relationship to report.
Personnel relationship	There is no personnel relationship to report.
Business relationship	SAR and the counterparty to the Lending Transaction Agreement have signed a master lease agreement for a trust beneficial interest (Urban Center Hakata) held by SAR.
Related party or not	Although the counterparty to the Lending Transaction Agreement does not fall under interested persons, etc. of SAR or the Asset Manager; however, it falls under interested parties as defined under the Asset Manager's "Rules of Transactions with Interested Parties" which are self-imposed rules stipulating countermeasures for conflict of interest related to SAR's asset management. Upon making the decision to sign the Lending Transaction Agreement, the Asset Manager has taken procedures for deliberation and approval by resolution in accordance with laws and regulations and the relevant rules.

5. Transactions with Interested Persons, Etc.

GSA TMK, the issuer of the Preferred Equity Securities, and SATGK, the counterparty to the Lending Transaction Agreement, do not fall under interested persons, etc. of SAR and the Asset Manager; however, Star Asia Asset Advisors Co. Ltd. who is the asset manager of GSA TMK falls under interested persons, etc. of SAR and the Asset Manager. Therefore, GSA TMK falls under interested parties as defined under the Asset Manager's "Rules of Transactions with Interested Parties" which are self-imposed rules stipulating countermeasures for conflict of interest related to SAR's asset management.

Furthermore, SATGK who is the counterparty under the Lending Transaction Agreement also falls under interested parties as defined under the Asset Manager's "Rules of Transactions with Interested Parties" which are self-imposed rules stipulating countermeasures for conflict of interest related to SAR's asset management.

Upon making the decisions for the asset acquisition and lending transaction, the Asset Manager has taken procedures for deliberation and approval by resolution in accordance with laws and regulations and the relevant rules.

6. Schedule for Acquisition of the Preferred Equity Securities and the Lending Transaction
June 22, 2023 : Decision for the Acquisition

June 23, 2023	:	Sign the Preferred Equity Assignment Agreement
	:	Sign the Lending Transaction Agreement
June 23, 2023	:	Acquisition and Lending of the Preferred Equity Securities

7. Settlement Method

SAR intends to make settlement of the purchase price of the Preferred Equity Securities by making one lump-sum payment to GSA JP Project 1 Godo Kaisha from the deposit money received (92,742,300 yen) for the sale and assignment of “Urban Park Gokokuji” as announced in the press release entitled “Notice Concerning the Transfer of Trust Beneficial Interests of Domestic Real Estate (Urban Park Gokokuji)” dated March 16, 2023 and also by use of own funds.

8. Future Outlook

As announced in the press release dated March 16, 2023 entitled “Notice Concerning signing of Right of First Refusal Agreement for Acquisition of Assets (Preferred Equity Securities) and Receipt of a Letter of Intent regarding Lending of the Preferred Equity Securities (HAKUSAN HOUSE)”, we are of the view that the Acquisition and the signing of the Lending Transaction Agreement should be reflected in the assumptions underlying the management status forecast for the fiscal period ending January 2024 (August 1, 2023 to January 31, 2024), and the transactions have been incorporated in the forecast for the fiscal period ending January 2024 (August 1, 2023 to January 31, 2024) described in the “Financial Report for Fiscal Period Ended January 31, 2023” disclosed on March 16, 2023. The impact on the operating conditions for the 15th fiscal period (February 1, 2023 to July 31, 2023) is minimal, and there is no change to the forecast of the operating conditions.

(For reference) Management Status Forecast for the current fiscal period and actual results of the preceding fiscal period

	Operating revenue	Operating income	Ordinary income	Net income	Distributions per Unit (does not include optimal payable distributions)	Optimal payable distributions per Unit
Management status forecast for the current fiscal period ending July 31, 2023	7,012 million yen	3,527 million yen	2,983 million yen	2,983 million yen	1,552 yen	0 yen
Actual results of preceding fiscal period ended January 31, 2023	6,486 million yen	3,349 million yen	2,782 million yen	2,781 million yen	1,491 yen	0 yen

9. General Description of the Property

Property name	HAKUSAN HOUSE		
Asset type	Student residence	Type of asset	Trust beneficial interest

Location (residential address)		4-33-14 Hakusan, Bunkyo-ku, Tokyo				
Nearest Stations		Approximate 4-minute walk from Hakusan station on the Toei Mita Line, approximate 9-minute walk from Komagome station on the Tokyo Metro Namboku Line				
Land	Form of ownership	Proprietary right of ownership				
	Site area	1,185.44 m ²	Use district	Neighborhood commercial zone(Note 1)		
	Building-coverage ratio (BCR)	80 %	Floor-area-ratio (FAR)	400 %		
Building	Form of ownership	Proprietary right of ownership				
	Gross floor area	4,961.40 m ²	Use	Dormitory		
	Construction completion	January 18, 2018	Structure / number of stories	Steel-framed and steel-reinforced concrete (SRC) 9 stories above ground		
Master lease company		Uninest Godo Kaisha	Type of master lease	Pass-through		
Status of leases (as of end of May 2023)						
Leasable area		3,095.33 m ²	Monthly rent (including common area fees)	Not disclosed (Note 2)		
Leased area		3,095.33 m ²	Lease and guarantee deposits	0		
Number of tenants		1 (Note 3)				
Transition of Occupancy Rates						
		December 2022	January 2023	February 2023	March 2023	April 2023
		100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Summary of real estate appraisal report						
Appraisal value		6,510 million yen				
Timing of valuation		December 1, 2022				
Net operating income		274,584,000 yen				
Capitalization rate		4.0%				
Appraisal agency		Japan Real Estate Institute				
Special notes		Not applicable.				
Characteristics		<p>The Property is a student residence located within walking distance from “Hakusan” station and “Komagome” station. The area where the Property is located has multiple university campuses which accept international exchange students, including Tokyo University.</p> <p>The Property is offered to international exchange students as well as Japanese students who wish to interact with international exchange students. The Property has enhanced common-use space including a multi-purpose room and common-use kitchen and dining space, aiming to promote interaction among the resident international and Japanese students, and holds events for residents and offers a concierge service which can accommodate foreign languages, and is a student residence which features facilities and operations rarely seen in Japan to date. The Property has introduced a 24-hour security system using technologies to pursue safety, and there are no cumbersome procedures for commencing the leases. Utility costs etc. are included in the rents, and</p>				

	also given the prolonged weak yen, the property is particularly attractive to international exchange students.
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(Note 1)The land of the property is situated crossing over two different use districts and districts with differing floor area ratio requirements (neighborhood commercial zone and Type 1 exclusive district for medium and high-rise residential properties), however, given the Hakusan House District Planning, the permitted floor area ratio will be 395.23%.

(Note 2)Not disclosed, as consent for disclosure has not been obtained from the owner.

(Note 3)The occupancy rates of end tenants are not disclosed, as consent for such disclosure has not been obtained from the owner.

(Note 4)The figure is the income value based on the income capitalization method.

*Star Asia Investment Corporation website address: <https://starasia-reit.com/en/>

This is an English translation of the announcement in Japanese dated June 22, 2023. However, no assurance or warranties are given for the completeness or accuracy of this English translation.